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## **Treasurer warns state running out of cash**

State Treasurer Dean Martin said today he wants lawmakers to give him more flexibility over when he has to pay his bills to keep — or at least delay — the state from going in the red and eventually maybe even having to declare bankruptcy.

Martin also said he may need to borrow money just to keep the state's checks from bouncing, something the state hasn't done since the Great Depression.

Those options, he said, only help the problem of cash flow: More money going out than coming in. Martin said, though, the only real solution is for lawmakers to stop spending money so fast.

And, he said, they need to do it soon.

But Martin's exhortations of imminent fiscal peril are drawing derision from Gov. Janet Napolitano, whose press aide, Jeanine L'Ecuyer, noted today that the treasurer made similar claims about the state running out of money almost a year ago.

Napolitano at that time called Martin "Chicken Little," with his predictions. And L'Ecuyer said the state did manage to survive because the governor and lawmakers came up with a solution.

This time is different, Martin insisted. And it starts with the fact that Arizona is spending at the rate of \$28 million a day, compared to an average of \$22.4 million in collections.

"It definitely is a path toward bankruptcy if there are no changes in spending," he said. "You can't ignore your bills forever."

Martin said the fix that L'Ecuyer mentioned "balanced" the budget by taking money from the state's "rainy day" fund, raiding accounts dedicated for other purposes, deferring some payments owed to schools into next fiscal year and taking some spending "off the books" by borrowing for new school construction rather than paying cash.

All that, he said, only made the current problem worse.

L'Ecuyer, however, said Martin's predictions of insolvency presume that lawmakers will not come up with a similar fix this year.

Martin, who said the current spending could drain the state's bank accounts as early as next month, conceded that the same kind of maneuvers lawmakers approved in the past could get Arizona through June 30, the end of this fiscal year. But without real spending cuts, he said, the state will begin the new budget year already in a hole.

L'Ecuyer also said Martin is presuming that Congress will not pass any sort of stimulus package that will provide direct cash to financially strapped states. The record, L'Ecuyer said, is otherwise, as shown by a similar federal bailout in 2003 that gave Arizona \$300 million.

Since Martin cannot control state spending, what he is proposing deals strictly with cash flow.

For example, he noted, many of the state's bills are due on the 15th of each month. But businesses do not have to make their monthly sales tax payments until the 25th.

Martin said a change in law allowing his office to delay paying bills until after the 25th will help avoid borrowing — and paying interest on the funds.

That borrowing, in essence, involves the state getting a line of credit from lenders that would cover the checks being mailed out to pay the bills. Martin said that leaves Arizona at the mercy of banks that, depending on the economy, could charge up to 20 percent annual interest.

He said the actual amount the state might have to borrow on any given day could range from \$2.5 billion to \$5 billion.

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